

CITY OF SABETHA, KANSAS
FINANCIAL STATEMENTS
Year Ending December 31, 2018

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City of Sabetha, Kansas
FINANCIAL STATEMENTS
Year ending December 31, 2018

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MIZE HOUSER
COMPANY^{PA.}

INDEPENDENT AUDITOR'S REPORT

Mayor and City Commission
City of Sabetha, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Sabetha, Kansas, (the City), as of and for the year ended December 31, 2018 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the omission of the financial data of one, but not all, of the related municipal entities of the City of Sabetha, Kansas and because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2018, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, the schedules of regulatory basis receipts and expenditures-related municipal entities, and the summary of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Mix Houser & Company PA

Certified Public Accountants
Lawrence, Kansas

April 15, 2019

City of Sabetha, Kansas
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2018

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Funds:							
General	\$ 656,941	\$ -	\$ 5,510,079	\$ 3,543,464	\$ 2,623,556	\$ -	\$ 2,623,556
Special Purpose Funds:							
Library	4,144	-	138,596	142,740	-	-	-
Airport	194,972	-	28,527	28,518	194,981	-	194,981
Parks and Recreation	-	-	8,456	8,456	-	-	-
Highway	-	-	70,098	70,098	-	-	-
Bond and Interest Funds:							
Bond and Interest	87,049	-	44,619	55,700	75,968	-	75,968
Aquatic Center	233,636	-	268,879	220,900	281,615	-	281,615
Business Funds:							
Electric	2,937,414	-	5,612,591	5,713,956	2,836,049	-	2,836,049
Water	331,444	-	690,765	732,890	289,319	-	289,319
Sewer	232,543	-	847,655	820,825	259,373	-	259,373
Related Municipal Entities:							
Mary Cotton Public Library	176,003	-	176,197	166,346	185,854	-	185,854
Sabetha Cemetery	18,012	-	43,752	45,633	16,131	2,500	18,631
Total Reporting Entity [Excluding Agency Funds]	\$ 4,872,158	\$ -	\$ 13,440,214	\$ 11,549,526	\$ 6,762,846	\$ 2,500	\$ 6,765,346

Composition of Cash:

M & J Bank	
Checking	\$ 55,266
Money Market	44,934
Community National Bank	
Checking	1,917,425
Money Market	10,215
Library Certificate of Deposit	51,208
Greater Manhattan Community Foundation	
Library Investments	14,567
United Bank	
Checking	4,552,824
Money Market	5,007
Court	4,862
EMS	31,163
Event Center	568
Prairie View Sidewalk	53,140
Library Checking	77,457
Library Certificate of Deposit	42,622
Cemetery Checking	5,055
Cemetery Money Market	10,408
Cemetery Certificate of Deposit	3,168
Subtotal	6,879,889
Less: Agency Funds per Schedule 4	[114,543]
Total Reporting Entity [Excluding Agency Funds]	\$ 6,765,346

The notes to the financial statements are an integral part of this statement.

CITY OF SABETHA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Sabetha (the City) is a municipal corporation governed by a five-member commission. These financial statements present only the primary government of the City and the Mary Cotton Public Library and Sabetha Cemetery related municipal entities. They exclude one of the related municipal entities for which the City is considered financially accountable:

The Sabetha Housing Authority

Separate financial statements may be obtained directly from the above.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year ended December 31, 2018:

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Business Fund - funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.)

Agency Fund - used to report assets held by a municipal reporting entity in a purely custodial capacity (i.e. payroll clearing fund, county treasurer tax collection accounts, etc.).

CITY OF SABETHA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and governing body may amend the budget at that time. The budget for the year ended December 31, 2018 was amended for the General Fund.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 - Leases

The City has entered into the following lease agreements as lessee for financing the acquisition of equipment:

Item		Final	Interest	Original	Balance
<u>Purchased</u>	<u>Issued</u>	<u>Maturity</u>	<u>Rate</u>	<u>Amount</u>	<u>December 31,</u>
Substation	2015	2021	1.95%	\$ 880,000	<u>2018</u> \$ 537,654

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

	Year Ending <u>December 31,</u>	
	2019	\$ 185,419
	2020	185,419
	2021	185,420
Total minimum lease payments		556,258
Less: amount representing interest		<u>[18,604]</u>
Present value of minimum lease payments		<u>\$ 537,654</u>

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

NOTE 3 - Long-Term Debt

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and business fund activities. These bonds are reported in the business funds if they are expected to be repaid from business fund regulatory receipts. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General obligation bonds outstanding at December 31, 2018 are as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year	Interest Paid
Paid for by taxes						
General obligation bonds	\$ 3,165,000	\$ 2,000,000	\$ 130,000	\$ 5,035,000	\$ 360,000	\$ 90,900
	<u>\$ 3,165,000</u>	<u>\$ 2,000,000</u>	<u>\$ 130,000</u>	<u>\$ 5,035,000</u>	<u>\$ 360,000</u>	<u>\$ 90,900</u>
Paid for by taxes and revenues						
KDHE revolving loan	\$ 2,806,132	\$ -	\$ 224,883	\$ 2,581,249	\$ 230,959	\$ 66,276
Sanitary sewer & street and electrical system general obligation bonds	-	815,000	-	815,000	30,000	-
Hospital construction general obligation bonds	<u>3,310,000</u>	<u>-</u>	<u>165,000</u>	<u>3,145,000</u>	<u>170,000</u>	<u>108,300</u>
	<u>\$ 6,116,132</u>	<u>\$ 815,000</u>	<u>\$ 389,883</u>	<u>\$ 6,541,249</u>	<u>\$ 430,959</u>	<u>\$ 174,576</u>

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31,	Governmental Funds		Business Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 360,000	\$ 143,550	\$ 200,000	\$ 137,774	\$ 560,000	\$ 281,324
2020	370,000	143,287	200,000	137,998	570,000	281,285
2021	375,000	133,013	205,000	132,410	580,000	265,423
2022	390,000	121,175	215,000	126,697	605,000	247,872
2023	405,000	108,862	215,000	120,618	620,000	229,480
2024-2028	3,135,000	123,050	1,205,000	490,772	4,340,000	613,822
2029-2033	-	-	1,440,000	248,242	1,440,000	248,242
2034-2038	-	-	280,000	41,952	280,000	41,952
	<u>\$ 5,035,000</u>	<u>\$ 772,937</u>	<u>\$ 3,960,000</u>	<u>\$ 1,436,463</u>	<u>\$ 8,995,000</u>	<u>\$ 2,209,400</u>

Special Assessments. As provided by Kansas statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as regulatory receipts in the appropriate project. Special assessments received after the issuance of bonds are recorded as regulatory receipts in the Bond and Interest Fund.

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

NOTE 3 - Long-Term Debt (Continued)

State Agency Loans. In 2004, the City arranged for a \$3,250,000 loan from The Kansas Water Pollution Control Revolving Loan Fund through the Kansas Department of Health and Environment for improving the wastewater system of Sabetha. The City is obligated to make semi-annual payments of \$106,567 from March 1, 2006 to September 1, 2025. These payments will include a gross interest rate of 2.54% plus a .25% service fee. At December 31, 2018, the outstanding principal balance was \$1,342,675. In 2016, the City arranged for a \$1,292,032 loan from the Kansas Water Pollution Control Revolving Loan Fund through the Kansas Department of Health and Environment for improving the sanitary sewer collection system of Sabetha. The City is obligated to make semi-annual payments of \$39,339 from March 1, 2018 to September 1, 2037. These payments will include a gross interest rate of 1.75 % plus a .25% service fee. At December 31, 2018, the outstanding principal balance was \$1,238,574.

The following displays annual debt service requirements to maturity for the loan payable to be paid from service regulatory receipts, for the full proceeds amount:

Year Ending December 31,	
2019	\$ 291,812
2020	291,813
2021	291,812
2022	291,812
2023	291,813
2024-2028	819,658
2029-2033	393,390
2034-2037	<u>314,710</u>
Total principal, interest, and service fees	2,986,820
Less: interest and service fees	<u>[405,571]</u>
Total principal	<u>\$ 2,581,249</u>

Changes in General Long-term Liabilities. During the year ended December 31, 2018, the following changes occurred in long term liabilities:

<u>Purpose</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance December 31, 2018</u>
Paid for by taxes					
General Obligation Series 2016-A	10/5/2016	9/1/1936	2.00 - 3.00%	\$ 3,300,000	\$ 3,035,000
General Obligation Series 2018-B	10/15/2018	9/1/2026	3.25%	2,000,000	2,000,000
Paid for by taxes and revenues					
General Obligation Refunding Series 2011-A	12/15/2011	9/1/2033	2.00 - 4.00%	4,280,000	3,145,000
General Obligation Series 2018-A	9/27/2018	9/1/1938	4.85%	<u>815,000</u>	<u>815,000</u>
				<u>\$ 10,395,000</u>	<u>\$ 8,995,000</u>

CITY OF SABETHA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

NOTE 4 - Deposits and Investments

Deposits. K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

Investments. K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. As of December 31, 2018, the City held no investments.

KSA 12-1225(h) authorizes library boards to invest or reinvest gifts and donations and any dividends, interest, rent, or income derived from the gifts in the manner the board deems will best serve the interest of the library. The Mary Cotton Public Library had the following unsecured investments from gifts and donations at December 31, 2018.

<u>Investment Type</u>	<u>Fair Value</u>
Greater Manhattan Community Foundation	
Bond Funds	\$ 4,139
Cash & Cash Equivalents	1,266
Stocks & Mutual Funds	9,161
Total	<u>\$ 14,567</u>

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods". All deposits were legally secured at December 31, 2018.

At December 31, 2018, the City's carrying amount of deposits was \$6,675,404 and the bank balance was \$6,715,236. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$750,000 was covered by federal depository insurance and the balance of \$5,965,236 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2018, the Library's carrying amount of deposits was \$185,854 and the bank balance was \$186,475. The bank balance was held by three banks resulting in a concentration of credit risk. All of the Library's bank balance was covered by federal depository insurance.

At December 31, 2018, the Cemetery's carrying amount of deposits was \$18,631 and the bank balance was \$18,631. The bank balance was held by one bank resulting in a concentration of credit risk. All of the Cemetery's bank balance was covered by federal depository insurance.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

NOTE 5 - Interfund Transfers

A reconciliation of transfers by fund type for 2018 follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory Authority</u>
Highway Fund	General Fund	\$ 70,098	K.S.A. 68-590
Parks and Recreation Fund	General Fund	8,456	K.S.A. 79-2958
Electric Fund	General Fund	300,000	K.S.A. 12-825d
Water Fund	General Fund	11,000	K.S.A. 12-825d
Sewer Fund	General Fund	2,500	K.S.A. 12-825d
Total		<u>\$ 392,054</u>	

NOTE 6 - Defined Benefit Pension Plan

Plan Description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for Death and Disability Program) and the statutory contribution rate was 8.39% for the fiscal year ended December 31, 2018. Contributions to the pension plan from the City were \$163,740 for the year ended December 31, 2018.

Net Pension Liability. At December 31, 2018, the City's proportionate share of the collective net pension liability reported by KPERS was \$1,310,929. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup of KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report, including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the KPERS website at www.kpers.org or can be obtained as described above.

CITY OF SABETHA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

NOTE 7 - Compensated Absences

It is the City's policy to pay employees' accrued vacation pay upon termination of employment. As of December 31, 2018, the liability for accrued vacation pay was \$50,993.

NOTE 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and other events for which the City carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

NOTE 10 - Death and Disability Other Post Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERs) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERs that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2018.

NOTE 11 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the City as of December 31, 2018.

NOTE 12 - Statutory Violations

Actual exceeded budgeted expenditures in the Parks and Recreation Fund and Highway Fund, which is a violation of K.S.A. 79-2935.

NOTE 13 - Capital Projects

During 2018, the City completed construction of the West Loop Circuit Rebuild at a total cost of \$324,577. The project was paid for from lawfully available funds of the City's Electric Fund.

During 2018, the City began construction of the Health and Wellness Center, which is expected to be completed in 2019 at a total estimated cost of \$2,706,468. The City is funding \$100,000 of the project through lawfully available funds, with the remainder of the projects being funded by donations from the Sabetha Greater Community Foundation. As of December 31, 2018, total costs incurred on the project were \$903,792.

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CITY OF SABETHA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2018

NOTE 13 - Capital Projects (Continued)

During 2018, the City began construction of the 6th Street Reconstruction Project, which is expected to be completed in 2019 at a total estimated cost of \$2,415,362. The City issued Series 2018-B General Obligation Bonds in the amount of \$2,000,000 to finance a portion of the cost of this project and will also be receiving a \$171,040 grant from the Kansas Department of Transportation. The remaining \$244,322 will come from lawfully available funds of the City. As of December 31, 2018, total costs incurred on the project were \$277,878.

During 2018 the City completed construction of the Prairie View Heights Sewer, Street and Electrical System Improvements Project at a total cost of \$1,061,448. The City issued Series 2018-A General Obligation Bonds in the amount of \$815,000 to finance a portion of the cost of this project, with the additional \$246,448 coming from donations and lawfully available funds of the City.

Schedule 1

City of Sabetha, Kansas
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Over [Under]</u>
General Funds:					
General	\$ 3,988,100	\$ -	\$ 3,988,100	\$ 3,543,464	\$ 444,636
Special Purpose Funds:					
Library	148,966	-	148,966	142,740	6,226
Airport	100,000	-	100,000	28,518	71,482
Parks and Recreation	8,066	-	8,066	8,456	[390]
Highway	68,300	-	68,300	70,098	[1,798]
Bond and Interest Funds:					
Bond and Interest	136,656	-	136,656	55,700	80,956
Aquatic Center	225,000	-	225,000	220,900	4,100
Business Funds:					
Electric	5,965,000	-	5,965,000	5,713,956	251,044
Water	882,000	-	882,000	732,890	149,110
Sewer	879,859	-	879,859	820,825	59,034

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Taxes	\$ 782,607	\$ 824,537	\$ [41,930]
Intergovernmental	309,324	299,380	9,944
Franchise tax	177,582	200,000	[22,418]
Licenses	5,087	6,500	[1,413]
Fines and fees	18,340	11,000	7,340
Interest	14,143	-	14,143
Use of property	21,867	20,000	1,867
Charges for services	571,377	485,000	86,377
Reimbursement	205,024	364,820	[159,796]
Operating transfers	392,054	376,366	15,688
Bond proceeds	2,000,000	-	2,000,000
Donations	917,312	1,000,000	[82,688]
Miscellaneous	95,362	-	95,362
Total Receipts	<u>5,510,079</u>	<u>\$ 3,587,603</u>	<u>\$ 1,922,476</u>
Expenditures			
General Government			
Personnel	208,696	\$ 215,000	\$ 6,304
Contractual services	1,000,360	180,000	[820,360]
Commodities	17,750	15,000	[2,750]
Law Enforcement			
Personnel	404,068	350,000	[54,068]
Contractual services	65,117	75,000	9,883
Commodities	10,688	24,000	13,312
Parks and Recreation			
Personnel	268,074	175,000	[93,074]
Contractual services	190,269	130,000	[60,269]
Commodities	25,551	25,000	[551]
Streets			
Personnel	176,072	250,000	73,928
Contractual services	110,156	145,000	34,844
Commodities	147,105	105,000	[42,105]
EMT			
Personnel	200,786	215,000	14,214
Contractual services	18,419	115,000	96,581
Commodities	12,703	45,000	32,297

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
General Fund (Continued)
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Expenditures (Continued)			
Industrial development	\$ 4,022	\$ 5,000	\$ 978
Capital outlay	497,028	1,740,000	1,242,972
Cemetery subsidy	30,000	24,000	[6,000]
Debt service	<u>156,600</u>	<u>155,100</u>	<u>[1,500]</u>
Total Expenditures	<u>3,543,464</u>	<u>\$ 3,988,100</u>	<u>\$ 444,636</u>
Receipts Over [Under] Expenditures	1,966,615		
Unencumbered Cash, Beginning	<u>656,941</u>		
Unencumbered Cash, Ending	<u>\$ 2,623,556</u>		

City of Sabetha, Kansas
Library Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over <u>[Under]</u>
Receipts			
Taxes	\$ 138,596	\$ 144,868	\$ [6,272]
Total Receipts	<u>138,596</u>	<u>\$ 144,868</u>	<u>\$ [6,272]</u>
Expenditures			
Appropriations	<u>142,740</u>	\$ 148,966	\$ 6,226
Total Expenditures	<u>142,740</u>	<u>\$ 148,966</u>	<u>\$ 6,226</u>
Receipts Over [Under] Expenditures	[4,144]		
Unencumbered Cash, Beginning	<u>4,144</u>		
Unencumbered Cash, Ending	<u>\$ -</u>		

See independent auditor's report on the financial statements.

Schedule 2 - 3

City of Sabetha, Kansas
 Airport Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Charges for services	\$ 28,527	\$ 30,000	\$ [1,473]
Total Receipts	<u>28,527</u>	<u>\$ 30,000</u>	<u>\$ [1,473]</u>
Expenditures			
Contractual services	10,768	\$ 75,000	\$ 64,232
Commodities	12,850	25,000	12,150
Capital outlay	<u>4,900</u>	<u>-</u>	<u>[4,900]</u>
Total Expenditures	<u>28,518</u>	<u>\$ 100,000</u>	<u>\$ 71,482</u>
Receipts Over [Under] Expenditures	9		
Unencumbered Cash, Beginning	<u>194,972</u>		
Unencumbered Cash, Ending	<u>\$ 194,981</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
Parks and Recreation Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Taxes	\$ 8,456	\$ 8,066	\$ [390]
Total Receipts	<u>8,456</u>	<u>\$ 8,066</u>	<u>\$ [390]</u>
Expenditures			
Operating transfers	<u>8,456</u>	<u>\$ 8,066</u>	<u>\$ [390]</u>
Total Expenditures	<u>8,456</u>	<u>\$ 8,066</u>	<u>\$ [390]</u>
Receipts Over [Under] Expenditures	-		
Unencumbered Cash, Beginning	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
 Highway Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Taxes	\$ 70,098	\$ 68,300	\$ 1,798
Total Receipts	<u>70,098</u>	<u>\$ 68,300</u>	<u>\$ 1,798</u>
Expenditures			
Operating transfers	<u>70,098</u>	<u>\$ 68,300</u>	<u>\$ [1,798]</u>
Total Expenditures	<u>70,098</u>	<u>\$ 68,300</u>	<u>\$ [1,798]</u>
Receipts Over [Under] Expenditures	-		
Unencumbered Cash, Beginning	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
 Bond and Interest Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over <u>[Under]</u>
Receipts			
Taxes	\$ 44,619	\$ 46,943	\$ [2,324]
Total Receipts	<u>44,619</u>	<u>\$ 46,943</u>	<u>\$ [2,324]</u>
Expenditures			
Principal	<u>55,700</u>	<u>\$ 136,656</u>	<u>\$ 80,956</u>
Total Expenditures	<u>55,700</u>	<u>\$ 136,656</u>	<u>\$ 80,956</u>
Receipts Over [Under] Expenditures	[11,081]		
Unencumbered Cash, Beginning	<u>87,049</u>		
Unencumbered Cash, Ending	<u>\$ 75,968</u>		

See independent auditor's report on the financial statements.

Schedule 2 - 7

City of Sabetha, Kansas
 Aquatic Center Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Taxes	\$ 268,879	\$ 240,000	\$ 28,879
Total Receipts	<u>268,879</u>	<u>\$ 240,000</u>	<u>\$ 28,879</u>
Expenditures			
Debt service	<u>220,900</u>	<u>\$ 225,000</u>	<u>\$ 4,100</u>
Total Expenditures	<u>220,900</u>	<u>\$ 225,000</u>	<u>\$ 4,100</u>
Receipts Over [Under] Expenditures	47,979		
Unencumbered Cash, Beginning	<u>233,636</u>		
Unencumbered Cash, Ending	<u>\$ 281,615</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
Electric Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Charges to customers	\$ 4,630,083	\$ 4,975,000	\$ [344,917]
Reimbursements	120,432	20,000	100,432
Use of money and property	47,076	18,000	29,076
Bond proceeds	<u>815,000</u>	<u>-</u>	<u>815,000</u>
Total Receipts	<u>5,612,591</u>	<u>\$ 5,013,000</u>	<u>\$ 599,591</u>
Expenditures			
Administration	501,575	\$ 481,686	\$ [19,889]
Production	781,635	800,000	18,365
Distribution	2,742,263	3,300,000	557,737
Capital outlay	1,338,483	847,895	[490,588]
Debt service	50,000	235,419	185,419
Operating transfers	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total Expenditures	<u>5,713,956</u>	<u>\$ 5,965,000</u>	<u>\$ 251,044</u>
Receipts Over [Under] Expenditures	[101,365]		
Unencumbered Cash, Beginning	<u>2,937,414</u>		
Unencumbered Cash, Ending	<u>\$ 2,836,049</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
 Water Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Charges to customers	\$ 661,789	\$ 675,000	\$ [13,211]
Miscellaneous	10,119	10,000	119
Use of money and property	<u>18,857</u>	<u>6,000</u>	<u>12,857</u>
Total Receipts	<u>690,765</u>	<u>\$ 691,000</u>	<u>\$ [235]</u>
Expenditures			
Administration	171,901	\$ 200,000	\$ 28,099
Production	224,137	325,000	100,863
Distribution	248,182	232,000	[16,182]
Capital outlay	67,670	115,000	47,330
Debt service	10,000	10,000	-
Operating transfers	<u>11,000</u>	<u>-</u>	<u>[11,000]</u>
Total Expenditures	<u>732,890</u>	<u>\$ 882,000</u>	<u>\$ 149,110</u>
Receipts Over [Under] Expenditures	[42,125]		
Unencumbered Cash, Beginning	<u>331,444</u>		
Unencumbered Cash, Ending	<u>\$ 289,319</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
Sewer Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Charges to customers	\$ 555,649	\$ 550,000	\$ 5,649
Reimbursements	8,985	10,000	[1,015]
Sales tax	268,879	287,550	[18,671]
Use of money and property	<u>14,142</u>	<u>5,000</u>	<u>9,142</u>
Total Receipts	<u>847,655</u>	<u>\$ 852,550</u>	<u>\$ [4,895]</u>
Expenditures			
Administration	126,556	\$ 150,000	\$ 23,444
Treatment	178,456	224,000	45,544
Capital outlay	66,246	54,423	[11,823]
Collection	155,908	158,970	3,062
Debt service	291,159	292,466	1,307
Operating transfers	<u>2,500</u>	<u>-</u>	<u>[2,500]</u>
Total Expenditures	<u>820,825</u>	<u>\$ 879,859</u>	<u>\$ 59,034</u>
Receipts Over [Under] Expenditures	26,830		
Unencumbered Cash, Beginning	<u>232,543</u>		
Unencumbered Cash, Ending	<u>\$ 259,373</u>		

See independent auditor's report on the financial statements.

Schedule 3 - 1

City of Sabetha, Kansas
Mary Cotton Public Library - Related Municipal Entity
General Fund
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2018

Receipts	
State of Kansas	\$ 742
NEKL Association	20,228
City appropriation	142,740
Interest	1,421
Donations and sales	2,485
Matching funds	3,983
Reimbursements	1,673
Miscellaneous	<u>2,925</u>
Total Receipts	<u>176,197</u>
Expenditures	
Salary and payroll taxes	92,186
Books, periodicals and film	31,904
Supplies	8,621
Utilities	12,072
Maintenance	5,549
Miscellaneous	<u>16,014</u>
Total Expenditures	<u>166,346</u>
Receipts Over [Under] Expenditures	9,851
Unencumbered Cash, Beginning	<u>176,003</u>
Unencumbered Cash, Ending	<u>\$ 185,854</u>

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
 Sabetha Cemetery - Related Municipal Entity
 General Fund
 Schedule of Receipts and Expenditures - Actual
 Regulatory Basis
 For the Year Ended December 31, 2018

Receipts	
City appropriation	\$ 30,000
Interest	109
Miscellaneous	625
Charges for services	<u>13,018</u>
Total Receipts	<u>43,752</u>
Expenditures	
Salaries	18,095
Payroll taxes	6,946
Contractual service	14,265
Supplies	<u>6,327</u>
Total Expenditures	<u>45,633</u>
Receipts Over [Under] Expenditures	[1,881]
Unencumbered Cash, Beginning	<u>18,012</u>
Unencumbered Cash, Ending	<u>\$ 16,131</u>

Schedule 4

City of Sabetha, Kansas
Agency Funds
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2018

<u>Fund</u>	Beginning Cash <u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash <u>Balance</u>
Tax Fund	\$ 25,000	\$ -	\$ 190	\$ 24,810
Municipal Court Fund	3,816	25,068	24,022	4,862
EMS Fund	36,044	412,118	416,999	31,163
Event Center	5,003	4	4,439	568
Prairie View Sidewalk Fund	<u>-</u>	<u>53,140</u>	<u>-</u>	<u>53,140</u>
Total Agency Funds	<u>\$ 69,863</u>	<u>\$ 490,330</u>	<u>\$ 445,650</u>	<u>\$ 114,543</u>

See independent auditor's report on the financial statements.